

# Akademiska Hus

## Interim Report January – September 2005

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### **Akademiska Hus AB (Publ) Reg. No. 556459-9156**

The Board and President of Akademiska Hus AB hereby present the Interim Report for the period January 1 – September 30, 2005.

- **Rental income** totalled SEK 3,349 million (3,336). The level of vacant space was 3.1 per cent, an increase from 2.8 per cent at the turn of the year. The direct yield was 7.3 per cent.
- **Profit after financial items** for the period was SEK 1,600 million (1,049). The profit after tax for the period was SEK 1,152 million (755). The improvement in profit can be attributed to lower maintenance costs and to improved net financial income and expense. In addition, the figure for the preceding year was charged with SEK 314 million in the form of an unrealised fall in the value of investment properties.
- **The estimated value of investment properties** remained unchanged, SEK 38 billion, compared with the figure at the turn of the year. Work is in progress on a new, cash flow-based valuation method with associated system support. Implementation will take place by the turn of the year.
- **The remainder of the year** will be marked by a difficult non-residential property market. For Akademiska Hus this means there will be a continued need to improve efficiency with the aim of offering attractive environments with long-term profitability.  
A pre-tax profit of approximately SEK 2,000 million, excluding changes in value, is expected for the full year.



## Property operations

### Rental income and profit

Rental income amounted to SEK 3,349 million, an increase of SEK 13 million compared with the same period in 2004.

Maintenance costs amounted to SEK –384 million (–514). The maintenance investments made in previous years have meant that the standard of the Akademiska Hus property holdings is now generally high and the cost of maintenance in the Group is falling. Net operating income was SEK 2,094 million (1,977).

The value of the properties remained unchanged compared with the figure at the turn of the year, with due consideration given to sales. Investments have been recorded at the cost incurred.

Net financial income and expense was SEK –528 million (–602). The improvement can be attributed to falling interest rates. The change in market value of derivatives, used is now included in the reported financing cost. The interest expense for the period, according to IFRS, including changes in market value, totalled 4.19 per cent. The profit after financial items for the period was SEK 1,600 million (1,049).

### Property portfolio etc.

The value of investment properties, excluding new construction in progress, totalled SEK 37,766 million (36,496). New construction in progress as at September 30 was SEK 1,395 million (1,253). The estimated value of the investment properties remained unchanged compared with the figure at the turn of the year. Work is in progress on the implementation of a new, cash flow-based valuation method with associated system support. Implementation will take place by the turn of the year.

The average remaining lease term was 6.5 years compared with 6.2 years at the turn of the year.

Rentable space totalled 3,275,679 square metres compared with 3,314,609 at the turn of the year. During the period, four large properties, totalling 63,000 square metres and located within Chalmers University of Technology, were sold. Vacant space was 3.1 per cent, an increase from 2.8 per cent at the turn of the year.

### Investments

Investments in properties totalled SEK –60 million (including new construction in progress) (1,150). The reason for the negative investments is the 'Chalmers sale'. As at September 30, 2005, a number of construction projects were in progress, the largest of which are:

Project	Location	Investment framework (SEK m)	Invested as at 30-9-2005 (SEK m)
Tre Vapen II, SIDA	Stockholm	370	103
Swedish National Defence College	Stockholm	368	274
Centre for Chemistry and Chemical Engineering	Lund	346	150
Tre Vapen II, Swedish Environmental Protection Agency	Stockholm	327	4
Teknikens Hus	Karlstad	300	8

### Key figures (according to IFRS)

	Jan–Sept 2005	Jan–Sept 2004	2004 (Full year)
Direct yield, %	7.3*	7.2*	7.1
Net operating income per sq. m.	846*	803*	806
Fair value, investment properties, SEK m	37,766	37,496	38,230
Return on equity after standard tax, %	7.7*	5.5*	5.8
Return on total equity, %	6.1*	5.2*	5.3
Equity ratio, %	39.4	40.8	40.9
Internal financing level, %	–**	80	81
Interest coverage level, %	399	273	265

\* Calculated on a full-year basis.

\*\* The Internal financing level is negative due to the negative net investment.

### New financial objectives

With effect from 2005, the owner's financial objectives have been stated as follows:

- The yield requirement, calculated as the yield (profit after tax) on average equity shall be equivalent to the five-year government bond loan interest rate plus four percentage points, viewed over an economic cycle.
- The Group's dividend target is 2.5 per cent of equity.
- The Group's equity ratio should be at least 35 per cent.

# Financing

## Interest-bearing liabilities

Interest-bearing liabilities at the period-end amounted to SEK 19,279 million compared with SEK 17,648 million at the turn of the year (18,549 as at 1-1-2005). The real interest exposure during the period was reduced through the buy-back of real interest bonds. The maturity has been extended to 3.5 years from 2.4 years at the turn of the year through issues within the long-term programmes.

The fixed interest period for the part of the liability portfolio covered by the fixed interest mandate has been extended to 2.0 years compared with 1.6 years at the turn of the year. The change is the result of the expected rise in interest rates in line with a slightly stronger economy and expectations of higher inflation.

### Interest-bearing liabilities

Amounts in SEK m	30-9-2005	1-1-2005	31-12-2004
Bank financing	–	–	–
Commercial paper	799	2,323	2,323
ECP	557	883	963
Bonds and MTN	4,167	2,506	2,431
EMTN	10,675	9,663	9,645
Other loans	1,651	1,639	1,776
<b>Total loans</b>	<b>17,849</b>	<b>17,014</b>	<b>17,138</b>
Financial derivatives	807	1,024	–
Collateral received for derivatives entered into	423	316	315
Pension provision	200	195	195
<b>Total, other interest-bearing liabilities</b>	<b>1,430</b>	<b>1,535</b>	<b>510</b>
<b>Total interest-bearing liabilities</b>	<b>19,279</b>	<b>18,549</b>	<b>17,648</b>

### Renewal structure for fixed interest and maturity as at 30-9-2005

Year	Fixed interest, SEK m	Maturity, SEK m
2005	10,246	1,452
2006	390	3,882
2007	3,350	1,789
2008	–310	2,761
2009	2,800	2,250
2010	1,115	3,442
2011 and later	761	2,776
<b>Total</b>	<b>18,352</b>	<b>18,352</b>

(Nominal amounts).

## Financing cost

The interest cost for the period according to IFRS, including changes in market value, totalled 4.19 per cent, measured as interest cost in relation to the interest-bearing liability's average capital. According to earlier accounting principles, the interest cost was 4.12 per cent.

### Financing cost breakdown

	IFRS 30-9-2005	According to earlier principles	
	2005-09-30	2005-09-30	2004-12-31
Loan financing cost, %	2.65	2.65	3.05
Interest swaps, net interest, %	1.08	1.09	1.20
Period allocation and charges, %	0.03	0.38	0.25
Changes in value, financial instruments, %	0.43	–	–
<b>Total financing cost</b>	<b>4.19</b>	<b>4.12</b>	<b>4.50</b>

### Average interest on interest-bearing liability

	30-9-2005	31-12-2004
Loans, %	2.29	2.82
Interest swaps, %	1.09	1.13
<b>Loans, including interest swaps, %</b>	<b>3.38</b>	<b>3.95</b>

## Accounting principles

Historically, Akademiska Hus's financial reports have been prepared in accordance with the Annual Accounts Act and the recommendations of the Swedish Financial Accounting Standards Council. With effect from January 1, 2005, Akademiska Hus's consolidated accounts are prepared according to the International Financial Reporting Standards (IFRS). This Interim Report has been prepared in accordance with IAS 34, Interim Financial Reporting. At the end of this interim report, under the heading 'Implementation of IFRS 2005', there is a presentation of how the transition from Swedish accounting principles to IFRS has affected the financial position, results and cash flow of Akademiska Hus.

The transition to IFRS entails changes in certain Akademiska Hus accounting principles. The new accounting principles are presented in the Interim Report for January–June 2005. In other respects the accounting principles and computation methods applied are the same as in the Annual Report. The implementation of IFRS 2005 is reported on pages 8–12 at the end of this Interim Report.

This report has not been the subject of an examination by the auditors.

## Parent Company

### Operations

Akademiska Hus AB is the parent company in the Akademiska Hus Group. Operations comprise Group management and other joint Group functions. The Parent Company handles all financing in the Group (See Financing section).

### Income and profit

The Company's income totalled SEK 285 million (69), of which income from regional companies totalled SEK 285 million (68). Operating profit was SEK –0.4 million (2.8) and net financial income and expense was SEK 337 million (332), including SEK 190 million (185) in dividends from regional companies. Profit before appropriations and taxes was SEK 336 million (334).

### Investments

Investments in machinery and equipment totalled SEK 3.8 million (3.2).

### Equity

Equity totalled SEK 5,271 million compared with SEK 5,801 million at the turn of the year. The effect on opening equity as at 1-1-2005 as a result of a change in accounting principles for financial instruments (IAS 39) was SEK –472 million after tax.

### Annual General Meeting

The Annual General meeting will be held in Göteborg on April 27, 2006.

## Consolidated Income Statement, Summary

Amounts in SEK m	2005 Jan–Sept	2004 Jan–Sept	2005 Jul–Sept	2004 Jul–Sept	2004 Full year
Rental income	3,334	3,336	1,106	1,115	4,482
Other property management income	39	36	11	11	48
<b>Total operating income</b>	<b>3,373</b>	<b>3,372</b>	<b>1,117</b>	<b>1,126</b>	<b>4,530</b>
<b>Property management costs</b>					
Operating costs	-553	-558	-143	-162	-783
Maintenance costs	-500	-614	-178	-273	-806
Property administration	-170	-169	-48	-58	-244
Other property management costs	-56	-54	-19	-18	-72
<b>Net operating profit</b>	<b>2,094</b>	<b>1,977</b>	<b>729</b>	<b>714</b>	<b>2,625</b>
Realised changes in value, investment properties	56	-	-	-	-
Unrealised changes in value, investment properties	-	-314	-	-160	-478
<b>Gross profit</b>	<b>2,150</b>	<b>1,663</b>	<b>729</b>	<b>554</b>	<b>2 147</b>
Central administration costs	-19	-18	-9	-4	-35
Other operating income	50	37	17	9	51
Other operating costs	-53	-31	-13	-8	-44
<b>Operating profit</b>	<b>2,128</b>	<b>1,651</b>	<b>724</b>	<b>551</b>	<b>2,119</b>
Net financial income/expense	-528	-602	-109	-191	-795
<b>Profit before taxes</b>	<b>1,600</b>	<b>1,049</b>	<b>615</b>	<b>360</b>	<b>1,324</b>
Taxes	-448	-294	-172	-101	-374
<b>Net profit for the period</b>	<b>1,152</b>	<b>755</b>	<b>443</b>	<b>259</b>	<b>950</b>

## Consolidated Balance Sheet, Summary

Amounts in SEK m	30-9-2005	30-9-2004	31-12-2004
<b>ASSETS</b>			
Intangible assets	24	6	33
<b>Tangible assets</b>			
Investment properties	37,766	37,496	38,230
New construction in progress	1,395	1,253	806
Equipment and fittings	30	45	41
<b>Total tangible assets</b>	<b>39,191</b>	<b>38,794</b>	<b>39,077</b>
Financial assets	1,279	185	194
<b>Current assets</b>			
Receivables	869	970	1,016
Liquid funds	1,594	309	329
<b>Total current assets</b>	<b>2,463</b>	<b>1,279</b>	<b>1,345</b>
<b>Total assets</b>	<b>42,957</b>	<b>40,264</b>	<b>40,649</b>
<b>EQUITY AND LIABILITIES</b>			
Equity	16,944	16,422	16,618
<b>Liabilities</b>			
<i>Long-term liabilities</i>			
Interest-bearing	13,390	12,362	11,858
Non-interest-bearing	4,284	4,126	4,283
<b>Total long-term liabilities</b>	<b>17,674</b>	<b>16,488</b>	<b>16,141</b>
<i>Current liabilities</i>			
Interest-bearing	5,889	5,332	5,790
Non-interest-bearing	2,450	2,022	2,100
<b>Total current liabilities</b>	<b>8,339</b>	<b>7,354</b>	<b>7,890</b>
<b>Total liabilities</b>	<b>26,013</b>	<b>23,842</b>	<b>24,031</b>
<b>Total equity and liabilities</b>	<b>42,957</b>	<b>40,264</b>	<b>40,649</b>
<b>Memorandum items</b>			
Pledged assets	37	24	77
Contingent liabilities	2	1	2

## Consolidated Cash Flow Statement, Summary

Amounts in SEK m	2005 Jan-Sep	2004 Jan-Sep	2004 Full year
Cash flow from current operations before changes in working capital	1,518	1,179	1,690
Change in working capital (excl. liquid funds)	-234	-394	-490
<b>Cash flow from current operations</b>	<b>1,284</b>	<b>784</b>	<b>1,200</b>
Net investments *	-59	-1,399	-1,502
<b>Cash flow from investments</b>	<b>-59</b>	<b>-1,399</b>	<b>-1,502</b>
Dividend granted	-394	-250	-250
Financing	434	707	414
<b>Cash flow from financing</b>	<b>40</b>	<b>457</b>	<b>164</b>
<b>Cash flow for the period</b>	<b>1,265</b>	<b>-158</b>	<b>-138</b>

\* The term 'net investments' refers to investments in and sales of intangible and tangible assets.

## Changes in consolidated equity

Amounts in SEK m	Restricted reserves		Non-restricted reserves		Total equity
	Share capital	Restricted reserves	Non-restricted reserves	Profit for the period	
<b>Equity 1-1-2004</b>	<b>2,135</b>	<b>3,817</b>	<b>9,965</b>	<b>-</b>	<b>15,917</b>
Dividend	-	-	-250	-	-250
Profit for the period Jan-Sept 2004	-	-	-	755	755
<b>Equity 30-9-2004</b>	<b>2,135</b>	<b>3,817</b>	<b>9,715</b>	<b>755</b>	<b>16,422</b>
Movement between restricted and non-restricted equity	-	236	-236	-	-
Profit for the period Oct-Dec 2004	-	-	-	195	195
<b>Equity 31-12-2004</b>	<b>2,135</b>	<b>4,053</b>	<b>9,479</b>	<b>950</b>	<b>16,618</b>
Effects of the transition to IFRS (net after tax)	-	-	-472	-	-472
<b>Equity 1-1-2005</b>	<b>2,135</b>	<b>4,053</b>	<b>9,007</b>	<b>950</b>	<b>16,146</b>
Equity not reported in the Income Statement	-	-	-	41	41
Dividend	-	-	-394	-	-394
Profit for the period Jan-Sept 2005	-	-	-	1,152	1,152
<b>Equity 30-9-2005</b>	<b>2,135</b>	<b>4,053</b>	<b>8,613</b>	<b>2,143</b>	<b>16,944</b>

## Group's Geographical Areas, Summary

Amounts in SEK m	2005 Jan–Sep	2004 Jan–Sep	2005 Jul–Sep	2004 Jul–Sep	2004 Full year
<b>Income, including other operating income</b>					
South	490	482	160	156	641
West	618	608	190	204	823
East	340	330	113	112	443
Uppsala	534	533	169	180	716
Stockholm	1,156	1,121	389	371	1,508
North	341	335	113	112	450
Other operations	286	69	91	23	95
Elimination of intra-Group income	-286	-69	-91	-23	-95
<b>Total income</b>	<b>3,479</b>	<b>3,409</b>	<b>1,134</b>	<b>1,135</b>	<b>4,581</b>
<b>Operating profit, excluding central overheads</b>					
South	262	238	75	75	308
West	393	314	119	112	416
East	217	99	84	14	88
Uppsala	291	65	99	37	66
Stockholm	776	686	268	228	921
North	187	246	70	86	330
Other operations	6	4	6	-1	4
Elimination of intra-Group income	15	17	12	4	21
<b>Total operating profit, excluding central overheads</b>	<b>2,147</b>	<b>1,669</b>	<b>733</b>	<b>555</b>	<b>2,154</b>
<i>Income statement reconciliation</i>					
Operating profit, excluding central overheads	2,147	1,669	733	555	2,154
Central overheads	-19	-18	-9	-4	-35
Profit on financial items (net)	-528	-602	-109	-191	-795
Tax for the period	-448	-294	-172	-101	-374
<b>Profit for the period according to the Income Statement</b>	<b>1,152</b>	<b>755</b>	<b>443</b>	<b>259</b>	<b>950</b>

## Investment properties

Amounts in SEK m	30-9-2005	31-12-2004
Opening book value	38,230	24,412
Sales and disposals	-855	-25
Investments	223	1,185
Transferred from new construction in progress	168	1,430
Adjustment in value, opening effect January 1, 2004	-	11,706
Adjustment in value, effect for the year	-	-478
<b>Closing book value</b>	<b>37,766</b>	<b>38,230</b>

# Implementation of IFRS 2005

## General

Akademiska Hus's date for the transition to IFRS is January 1, 2004 as IFRS requires re-computation of a comparative year. The financial information for the Group in 2004 according to Swedish accounting principles has been recomputed to comply with IFRS. The following is a complete account and report on the transition from Akademiska Hus's previous accounting principles to IFRS.

The areas and IFRS standards that Akademiska Hus preliminarily considers will have the greatest impact on equity, the Balance Sheet and reported profit in conjunction with the transition to IFRS are:

- *Financial instruments (IAS 39)*
  - Introduction of fair value as a measurement standard for financial instruments
  - All financial instruments will be reported in the Balance Sheet
  - Clarification that hedge accounting will only be applied when strict requirements are met
- *Investment properties (IAS 40)*
  - Measurement of investment properties at fair value
  - Changes in the fair value are recognised in profit or loss
- *Goodwill (IFRS 3)*
  - Goodwill will not be amortised according to plan
- *Division of interest-bearing liabilities into current and long-term parts (IAS 1)*

## Application of the transition rules (IFRS 1)

The transition to IFRS is reported in accordance with IFRS 1 'First-time Adoption of IFRS'. The main rule in IFRS 1 requires that a company applies all IFRS standards retrospectively when adopting the opening balances according to IFRS. Certain exceptions to the retrospective application are permitted however. Akademiska Hus has chosen to apply the following:

- *Financial instruments (IAS 39)*

Akademiska Hus has applied IAS 39 since January 1, 2005 and uses the exception granted in IFRS 1 for companies that are applying IFRS for the first time to not re-compute comparison figures/information for 2004. Consequently, recognition and measurement of financial instruments, the handling of cash flow and fair value hedging and the application of hedge accounting have taken place in accordance with generally accepted Swedish accounting principles.
- *Goodwill (IFRS 3)*

The rules in IFRS 3 Business Combinations will be applied prospectively to business combinations that take place from and including the transition date, January 1, 2004.
- *Defined benefit pension plans (IAS 19)*

On January 1, 2004, Akademiska Hus implemented RR 29 Employee benefits. RR 29 concurs essentially with IAS 19 and consequently the pension liability computed and reported as at January 1, 2004 concurs with IFRS. Akademiska Hus has opted, in accordance with the rules in IFRS 1, not to apply IAS 19 retrospectively. Retrospective application would mean that the accumulated effect from the beginning of each pension plan would be allocated to the part which affected the computations and to a non-reported part, the 'corridor'. Akademiska Hus instead reports all these effects directly in opening equity as at January 1, 2004. As this has already been done, based on RR 29, the introduction of IAS 19 will have no effect in conjunction with the transition to IFRS.

## Change in accounting principles and effects in conjunction with the transition to IFRS – preliminary assessment

In the opinion of the management, the following tables present and quantify (preliminarily) the most material effects of the transition to IFRS. The information below has been prepared according to IFRS standards, which are expected to be applied on December 31, 2005. IFRS is still the subject of review and approval by the EU and consequently changes could still take place. As the rules were recently introduced, clarification by the standard-setter and the development of practice within the area means further clarifications could affect the information below.

## Consolidated Income Statement – summary

### – Reconciliation between Swedish accounting principles and IFRS 2004

Amounts in SEK m	Reference	According to Swedish accounting principles 2004, Jan–Sept			According to Swedish accounting principles 2004, Jul–Sep			According to Swedish accounting principles 2004, Jan–Dec		
		Effect of transition to IFRS 2004, Jan–Sept	IFRS 2004, Jan–Sept	Effect of transition to IFRS 2004, Jul–Sep	IFRS 2004, Jul–Sep	Effect of transition to IFRS 2004, Jan–Dec	IFRS 2004, Jan–Dec			
Rental income		3,336	–	3,336	1,115	–	1,115	4,482	–	4,482
Other property management income		36	–	36	11	–	11	48	–	48
<b>Total operating income</b>		<b>3,372</b>	<b>–</b>	<b>3,372</b>	<b>1,126</b>	<b>0</b>	<b>1,126</b>	<b>4,530</b>	<b>0</b>	<b>4,530</b>
<b>Property management costs</b>										
Operating costs		–550	–8	–558	–152	–3	–155	–772	–11	–783
Maintenance costs		–614	–	–614	–188	–	–188	–806	–	–806
Property administration		–161	–8	–169	–51	–2	–53	–233	–11	–244
Other property management costs		–54	–	–54	–16	–	–16	–72	–	–72
<b>Net operating profit</b>		<b>1,993</b>	<b>–16</b>	<b>1,977</b>	<b>719</b>	<b>–5</b>	<b>714</b>	<b>2,647</b>	<b>–22</b>	<b>2,625</b>
Revaluation, investment properties	A	–	–314	–314	–	–160	–160	–	–478	–478
Depreciation and impairment losses and reversed impairment losses in property management	A, D	–720	720	–	–247	247	–	–1,013	1,013	–
<b>Gross profit</b>		<b>1,273</b>	<b>390</b>	<b>1,663</b>	<b>372</b>	<b>82</b>	<b>554</b>	<b>1,634</b>	<b>513</b>	<b>2,147</b>
Central administration costs		–18	–	–18	–4	–	–4	–35	–	–35
Other operating income	A	55	–18	37	9	–	9	69	–18	51
Other operating expenses	A	–37	6	–31	–8	–	–8	–52	8	–44
<b>Operating profit/loss</b>		<b>1,273</b>	<b>378</b>	<b>1,651</b>	<b>469</b>	<b>82</b>	<b>551</b>	<b>1,616</b>	<b>503</b>	<b>2,119</b>
Financial items		–602	–	–602	–191	–	–191	–795	–	–795
<b>Profit before taxes</b>		<b>671</b>	<b>378</b>	<b>1,049</b>	<b>278</b>	<b>82</b>	<b>360</b>	<b>821</b>	<b>503</b>	<b>1,324</b>
Taxes	A, E	–188	–106	–294	–78	–23	–101	–233	–141	–374
<b>Net profit for the period</b>		<b>483</b>	<b>272</b>	<b>755</b>	<b>200</b>	<b>59</b>	<b>259</b>	<b>588</b>	<b>362</b>	<b>950</b>

# Consolidated Balance Sheet – summary

– Reconciliation between Swedish accounting principles and IFRS 1-1-2004,  
30-9-2004, 31-12-2004 and 1-1-2005

Amounts in SEK m	Reference	According to Swedish accounting principles 1-1-2004	Effect of transition to IFRS 1-1-2004	IFRS 1-1-2004	According to Swedish accounting principles 30-9-2004	Effect of transition to IFRS 30-9-2004	IFRS 30-9-2004	According to Swedish accounting principles 31-12-2004	Effect of transition to IFRS 31-12-2004	IFRS 31-12-2004	Effect of transition to IFRS 1-1-2005	IFRS 1-1-2005
<b>ASSETS</b>												
Intangible assets	D	6	–	6	6	–	6	33	–	33	–	33
<b>Tangible fixed assets</b>												
Investment properties	A	24,412	11,706	36,118	25,412	12,084	37,496	26,021	12,209	38,230	–	38,230
New construction in progress		1,556	–	1,556	1,253	–	1,253	806	–	806	–	806
Equipment and fittings		52	–	52	45	–	45	41	–	41	–	41
<b>Total tangible fixed assets</b>		<b>26,020</b>	<b>11,706</b>	<b>37,726</b>	<b>26,710</b>	<b>12,084</b>	<b>38,794</b>	<b>26,868</b>	<b>12,209</b>	<b>39,077</b>	<b>–</b>	<b>39,077</b>
Financial assets	B, E	185	–	185	185	–	185	194	–	194	726	920
<b>Current assets</b>												
Current receivables	B, C	761	–	761	970	–	970	1,016	–	1,016	33	1,049
Liquid funds		467	–	467	309	–	309	329	–	329	–	329
<b>Total current assets</b>		<b>1,228</b>	<b>–</b>	<b>1,228</b>	<b>1,279</b>	<b>–</b>	<b>1,279</b>	<b>1,345</b>	<b>–</b>	<b>1,345</b>	<b>33</b>	<b>1,378</b>
<b>Total assets</b>		<b>27,439</b>	<b>11,706</b>	<b>39,145</b>	<b>28,180</b>	<b>12,084</b>	<b>40,264</b>	<b>28,440</b>	<b>12,209</b>	<b>40,649</b>	<b>759</b>	<b>41,408</b>
<b>EQUITY, PROVISIONS AND LIABILITIES</b>												
<b>Equity</b>												
Restricted equity		5,952	–	5,952	5,952	–	5,952	6,188	–	6,188	–	6,188
Non-restricted equity	A, B, D, E	1,554	8,428	9,982	1,770	8,700	10,470	1,639	8,791	10,430	–472	9,958
<b>Total equity</b>		<b>7,506</b>	<b>8,428</b>	<b>15,934</b>	<b>7,722</b>	<b>8,700</b>	<b>16,422</b>	<b>7,827</b>	<b>8,791</b>	<b>16,618</b>	<b>–472</b>	<b>16,146</b>
Provisions	C	908	–908	–	935	–935	–	1,059	–1,059	–	–	–
<b>Liabilities</b>												
<i>Long-term liabilities</i>												
Interest-bearing	B, C	16,794	163	16,957	17,501	–5,139	12,362	17,454	–5,596	11,858	930	12,788
Non-interest-bearing	C, E	–	4,023	4,023	–	4,126	4,126	–	4,283	4,283	–	4,283
<b>Total long-term liabilities</b>		<b>16,794</b>	<b>4,186</b>	<b>20,980</b>	<b>17,501</b>	<b>–1,013</b>	<b>16,488</b>	<b>17,454</b>	<b>–1,313</b>	<b>16,141</b>	<b>930</b>	<b>17,071</b>
<i>Total long-term liabilities</i>												
Current liabilities, interest-bearing	B, C	–	–	0	–	5,332	5,332	–	5,790	5,790	–29	5,761
Current liabilities, non-interest-bearing	B, C	2,231	–	2,231	2,022	–	2,022	2,100	–	2,100	330	2,430
<b>Total current liabilities</b>		<b>2,231</b>	<b>0</b>	<b>2,231</b>	<b>2,022</b>	<b>5,332</b>	<b>7,354</b>	<b>2,100</b>	<b>5,790</b>	<b>7,890</b>	<b>301</b>	<b>8,191</b>
<b>Total liabilities</b>		<b>19,025</b>	<b>4,186</b>	<b>23,211</b>	<b>19,523</b>	<b>4,319</b>	<b>23,842</b>	<b>19,554</b>	<b>4,477</b>	<b>24,031</b>	<b>1,231</b>	<b>25,262</b>
<b>Total equity, provisions and liabilities</b>		<b>27,439</b>	<b>11,706</b>	<b>39,145</b>	<b>28,180</b>	<b>12,084</b>	<b>40,264</b>	<b>28,440</b>	<b>12,209</b>	<b>40,649</b>	<b>759</b>	<b>41,408</b>

# Changes in Group equity

## – Reconciliation between Swedish accounting principles and IFRS

Amounts in SEK m	Reference	Restricted reserves		Non-restricted reserves		Total equity
		Share capital	Restricted reserves	Non-restricted reserves	Profit/loss for the period	
<b>Equity 1-1-2004 according to the present accounting principles</b>		<b>2,135</b>	<b>3,817</b>	<b>1,554</b>	<b>–</b>	<b>7,506</b>
Fair value, investment properties, adjustment of opening balance	A	–	–	11,706	–	11,706
Deferred tax	E	–	–	–3,278	–	–3,278
<b>Equity 1-1-2004 according to IFRS</b>		<b>2,135</b>	<b>3,817</b>	<b>9,982</b>	<b>–</b>	<b>15,934</b>
<b>Equity as at 30-9-2004 according to the present accounting principles</b>		<b>2,135</b>	<b>3,817</b>	<b>1,287</b>	<b>483</b>	<b>7,722</b>
<i>Effects in conjunction with the transition to IFRS</i>						
Adjustment of opening effects as at January 1, 2004, see above	A	–	–	8,428	–	8,428
Reversal, depreciation, investment properties	A	–	–	–	704	704
Reversal, capital gain, investment properties	A	–	–	–	–12	–12
Fair value, investment properties, result for the period	A	–	–	–	–314	–314
Reversal, goodwill amortisation	D	–	–	–	–	–
Deferred tax	E	–	–	–	–106	–106
<b>Equity as at 30-9-2004 according to IFRS</b>		<b>2,135</b>	<b>3,817</b>	<b>9,715</b>	<b>755</b>	<b>16,422</b>
<b>Equity as at 31-12-2004 according to the present accounting principles</b>		<b>2,135</b>	<b>4,053</b>	<b>1,051</b>	<b>588</b>	<b>7,827</b>
<i>Effects in conjunction with the transition to IFRS</i>						
Adjustment of opening effects as at January 1, 2004, see above	A	–	–	8,428	–	8,428
Reversal, depreciation, investment properties	A	–	–	–	991	991
Reversal, capital loss, investment properties	A	–	–	–	–10	–10
Fair value, investment properties, result for the period	A	–	–	–	–478	–478
Reversal, goodwill amortisation	D	–	–	–	–	–
Deferred tax	E	–	–	–	–141	–141
<b>Equity as at 31-12-2004 according to IFRS</b>		<b>2,135</b>	<b>4,053</b>	<b>9,479</b>	<b>950</b>	<b>16,618</b>
<b>Non-recurring effects in conjunction with the transition to IFRS (IAS 39)</b>	B					
Losses brought forward, closed derivative transactions		–	–	–351	–	–351
Profits brought forward, closed derivative transactions		–	–	129	–	129
<i>Financial assets measured at fair value through profit and loss</i>						
Fair value, financial derivatives		–	–	135	–	135
<i>Financial liabilities measured at fair value through profit and loss</i>						
Fair value, financial derivatives		–	–	–560	–	–560
<i>Other financial liabilities</i>						
Accrued acquisition value, financial loan liabilities		–	–	–3	–	–3
<i>Hedging of fair value</i>						
Underlying loans (currency and interest)		–	–	–90	–	–90
Hedging instruments (currency and interest)		–	–	106	–	106
<b>Effects of the transition to IFRS to be carried forward/ allocated to a specific period</b>	B					
<i>Cash flow hedging</i>						
Hedging instrument (currency and interest)		–	–	–1	–	–1
Hedging instrument (electricity price)		–	–	–21	–	–21
Deferred tax on IFRS changes	E	–	–	183	–	183
<b>Equity 1-1-2005 according to IFRS</b>		<b>2,135</b>	<b>4,053</b>	<b>9,007</b>	<b>950</b>	<b>16,146</b>

## Key figures

### – Reconciliation between Swedish accounting principles and IFRS

	According to Swedish accounting principles 30-9-2004	IFRS, 30-9-2004	According to Swedish accounting principles 31-12-2004	IFRS 31-12-2004	IFRS, 1-1-2005
Direct yield, %	10,6*	7,2*	10,5	7,1	7,1
Direct yield on fair value, %	–	7,2*	7,1	7,1	7,1
Net operating income per square metre	803*	803*	806	806	806
Carrying value, investment properties, SEK m	25,412	37,496	26,021	38,230	38,230
Fair value, investment properties, SEK m	37,496	37,496	38,230	38,230	38,230
Return on equity after standard tax, %	8,0*	5,5*	7,7	5,8	5,9
Return on total equity, %	6,0*	5,2*	5,8	5,3	5,3
Equity ratio, %	27,4	40,8	27,5	40,9	39,0
Internal financing level, %	86	80	90	81	81
Interest coverage level, %	211	273	202	265	265

\* Calculated on a full-year basis.

#### Comments (references to the above tables)

##### A) Investment properties (IAS 40)

According to the accounting principles applied previously by Akademiska Hus, investment properties were reported at the acquisition cost less a deduction for accumulated depreciation, impairment losses and reversed impairment losses.

In the Income Statement, historical depreciation according to plan, impairment losses and reversed impairment losses have thus affected the profit.

According to IAS 40, a company can choose between applying the cost method (which essentially concurs with Akademiska Hus's earlier accounting principles) and a fair value measurement. The Board of Akademiska Hus decided that the Group's investment properties would be measured on an ongoing basis and reported at the fair value. The effect on equity brought forward as at January 1, 2004 and investment properties as a result of the change in measurement principles totalled SEK 11,706 million before tax.

This means that changes in the fair value of the Group's property holdings is reported in the Income Statement and affects the operating profit. This also means that depreciation and impairment losses and reversed impairment losses are reversed in the 2004 Income Statement according to IFRS, which has had a positive impact on profit of SEK 991 million (January–September 704, July–September 242). Furthermore, the change in principles for the measurement of investment properties at fair value means that the capital gain in the light of previous carrying values is reversed and is instead replaced by what the properties sold commanded in relation to the most recent valuation made of each property. This affected the 2004 capital gain net positively to the amount of SEK 10 million (January–September positive to the amount of SEK 12 million, July–September positive to the amount of SEK 0 million) and the corresponding effect on operating profit, which is thus reversed in the 2004 Income Statement according to IFRS.

The previous definition and classification of investment properties in relation to owner-occupied properties and properties held for sale has thus not been changed or affected after Akademiska Hus introduced fair value as a measurement standard for investment properties.

##### B) Financial instruments (IAS 39)

The general principles for the measurement of financial instruments according to IAS 39 are that financial assets and all derivatives shall be measured at fair value whilst financial liabilities are measured at cost. Current reporting of the changes in value of the financial instruments are decided by the initial classification of each financial instrument. Under the earlier principles, Akademiska Hus reported all the financial instruments at cost. In conjunction with a transition to IFRS, all financial instruments, including derivatives, will be reported in the Balance Sheet. All Akademiska Hus's financial assets will be classified as 'Assets at fair value in profit or loss' and measured at fair value, i.e. the changes in value will be recognised directly in profit or loss. The financial liabilities will be measured at the amortised cost with the ongoing changes in value reported in the result. The effects which the revaluation from acquisition value to fair value and accrued acquisition value generate will affect the opening balance.

According to earlier principles, Akademiska Hus carried forward closed derivatives as well as repurchases of bonds issued and allocated these over the term of the underlying loan/instrument. Offsetting is not permitted according to IAS 32 unless a legal right exists to set off, which means that closed derivatives should be carried forward at the gross amount up to the due date whilst realised derivatives are reported as profit. Repurchased bonds issued are removed from the Balance Sheet and the effects are reported as income. In conjunction with the transition to IFRS, a non-recurring effect will be reported in the opening balance.

According to the earlier accounting principles, currency and interest derivatives, which are entered into for hedging purposes, are reported net with the underlying loan financing. According to IAS 39, all derivatives will be reported in the Balance Sheet at fair value. The change in value for derivatives which qualify for hedge accounting according to the requirements for fair value hedging and derivative instruments which do not qualify for hedge accounting are recognised directly in profit or loss. The change in value for derivatives which qualify for hedge accounting according to the requirements for cash flow hedging are recognised directly in equity until the underlying transaction is reflected in profit or loss, whereupon any accumulated profit or loss is recognised as income. One of the criteria for hedge accounting to be applied is that the hedge is expected to be effective both on entering as well as during the hedging period. The ineffective part of hedging, i.e. the difference between the change in value in the exposure (interest or currency risk) which is hedged in the underlying transaction and the change in value in the hedging instrument's (derivative's) equivalent risk will be recognised directly in profit or loss.

During 2004, Akademiska Hus took over trading in electricity as well as trading in electricity derivatives for the purpose of hedging. Electricity derivatives that were entered into for the purpose of hedging future consumption are hedged, which means that the realised profit on electricity derivatives brought forward to the underlying transaction affects the profit in accordance with the cash flow hedge. The electricity derivatives held/purchased within the deviation mandate are measured on an ongoing basis at the fair value, with changes in value reported against profit.

*C) Division of interest-bearing liabilities into a current and long-term part (IAS 1)*

Akademiska Hus has previously divided the Group's liabilities into interest-bearing and non-interest bearing. According to

IAS 1, there will also be a division of interest-bearing liabilities into a current part and a long-term part. In conjunction with the transition to IFRS, the division of the Group's liabilities will be made into current and long-term interest-bearing liabilities. In addition, current tax liabilities, which were previously included under 'Other receivables', will be reported on a separate line in the Balance Sheet. These changes have not had any effect on the Group's reported profit or the total assets.

*D) Goodwill*

According to IFRS, goodwill will not be amortised but will instead be tested annually for possible impairment. An impairment test will, however, take place more often if there are indications of impairment during the year. An impairment decrease of KSEK 617 reported in 2004 has been reversed. In conjunction with an examination of the purchase price allocation to identified assets, liabilities and contingent liabilities according to IFRS 3 for the business combinations made during 2004, no material differences were noted in relation to the purchase price allocation prepared according to the earlier Akademiska Hus reporting principles. The excess part between the price paid and the acquired net assets has been allocated to properties and goodwill.

*E) Deferred tax on IFRS changes*

The majority of the above IFRS changes mean that differences arise between the reported value and the tax value. For those changes that entail differences, deferred tax has been reported. In the light of the fact that Akademiska Hus is a Swedish group, an interest rate of 28 per cent has been used when calculating the deferred tax.

**Material effects on cash flow 2004**

There are no material differences between the cash flow statement according to the Swedish accounting principles and the cash flow statement according to IFRS.



**AKADEMISKA HUS**